

m 1037/040

U.S. ENERGY CORP./CRESTED CORP.

877 N. 8th W.

(307) 856-9271

Riverton, Wyoming 82501

CONFIDENTIALITY NOTICE

TELECOPY

THIS TRANSMISSION IS INTENDED ONLY FOR THE USE OF THE PERSON TO WHOM IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED AND CONFIDENTIAL. IF YOU ARE NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISCLOSURE, DISTRIBUTION OR COPYING OF THIS TRANSMISSION OR THE INFORMATION IN IT IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, PLEASE NOTIFY US IMMEDIATELY BY TELEPHONE, RETURN THE ORIGINAL AND RETAIN NO COPIES.

TO: Paul Baker

COMPANY: _____

COMPANY TELECOPY NO: _____

COMPANY PHONE NO: _____

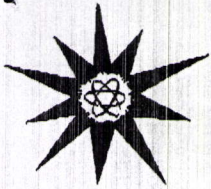
FROM: Fred CraftDATE: 9/16/03NUMBER OF PAGES: 2 (including this page)

FAX 857-3050

RECEIVED

SEP 16 2003

DIV. OF OIL, GAS & MINING

**U. S. ENERGY / CRESTED CORP.**

877 North 8th West

(307) 856-9271

Riverton, Wyoming 82501

September 16, 2003

Transmit via fax (801) 359-3940

State of Utah
Department of Natural Resources
Division of Oil and Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801
Attn: Mr. Paul Baker

Re: Velvet Mine, M/037/040, Request for Bond Reduction

Dear Mr. Baker:

U.S. Energy Corp. has completed certain reclamation work activities at the Velvet Mine site. This reclamation work consists of filling the portal, remove surface facilities, capping and covering ventilation boreholes, removal of culverts, site grading and soil cover where soil was available. U.S. Energy Corp. requests that the Bond for the Mine Permit M/037/040 be reduced to reflect only the remaining reclamation work to be completed. The remaining reclamation work is seeding, addition of soil amendments and ripping of affected areas that amount to less than 20 acres. Should you have any questions please contact me at (307) 856-9271.

Sincerely,
U.S. Energy Corp.

Fred Craft

cc: Jim Butt
File

FAX (307) 857-3050